

Message Text

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15

ACTION ARA-10

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E.O. 11652: N/A

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SUBJECT: APPROVAL OF OIL NATIONALIZATION BILL DELAYED

REF CARCAS 7361

1. THE PROGRESS OF THE VENEZUELAN OIL NATIONALIZATION BILL THROUGH THE CONGRESS SLOWED THIS WEEK WHILE THE MINES COMMITTEE OF THE CHAMBER OF DEPUTIES CONSIDERED MODIFICATIONS. BEFORE RETURNING THE BILL TO THE CHAMBER FOR ITS SECOND READING. THE COMMITTEE HEARD TESTIMONY JULY 23 FROM MINES MINISTER HERNANDEZ AND FINANCE MINISTER HURTADO CONCERNING POSSIBLE CHANGES.

2. THE MODIFICATIONS SOUGHT BY HERNANDEZ ARE THOSE THE GOVERNMENT HAD INTENDED TO REQUEST DURING THE SENATE MINES COMMITTEE'S CONSIDERATION OF THE BILL AND AFFECT THE FINANCING OF THE GOV HOLDING COMPANY FOR THE NATIONALIZED PETROLEUM INDUSTRY, PETROVEN. THE MODIFICATION OF PART 5 OF ARTICLE 6 WOULD REQUIRE

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PETROVEN'S OPERATING COMPANIES TO EARMARK TEN PERCENT OF THEIR NET

INCOME FOR THE HOLDING COMPANY. HERNANDEZ SAID THIS FINANCING WOULD AMOUNT TO APPROXIMATELY BS 3 BILLION ANNUALLY AND WOULD GUARANTEE THE SELF-FINANCING OF PETROVEN. HE CONFIRMED THAT PETROVEN'S INITIAL CAPITAL WOULD CONSIST OF A BS 2.5 BILLION CONTRIBUTION FROM THE VENEZUELAN INVESTMENT FUND PLUS THE ASSETS OF THE NATIONALIZED OIL COMPANIES. HURTADO ASKED FOR A CHANGE IN THE WORDING OF ARTICLE 23 SO THAT THE OIL COMPANIES MAY EITHER DEPOSIT THEIR WORKERS' ACCUMULATED SOCIAL BENEFITS IN TRUST WITH THE CENTRAL BANK OR LEAVE THEM ON DEPOSIT WITH THE THREE COMMERCIAL BANKS NOW RECEIVING THEM. HURTADO SAID THE OIL COMPANIES MUST COMPLY WITH THIS REQUIREMENT WITHIN THIRTY DAYS OF THE NATIONALIZATION BILL'S PROMULGATION.

3. THE MINES COMMITTEE ALSO HAS UNDER CONSIDERATION A MODIFICATION TO ARTICLE 14 WHICH WOULD ELIMINATE THE POSSIBILITY OF A THREE-DAY DELAY IN THE STATE'S TAKING CONTROL OF A COMPANY'S CONCESSIONS IF AGREEMENT CANNOT BE REACHED OVER INDEMNIFICATION. ANOTHER CHANGE, TO ARTICLE 24, WOULD REQUIRE THE OPERATING COMPANIES TO CONTRIBUTE TO THE STATE MANPOWER TRAINING INSTITUTE (INCE).

4. THE PRESENT SCENARIO CALLS FOR THE MINES COMMITTEE TO REPORT THE NATIONALIZATION BILL TO THE CHAMBER NEXT WEEK AND FOR THE CHAMBER TO COMPLETE THE BILL'S SECOND READING BY JULY 30. AFTER THE SENATE MINES COMMITTEE REVIEWS THE BILL, THE SENATE WILL BEGIN ITS CONSIDERATION OF THE BILL. EX-PRESIDENT CALDERA IS EXPECTED TO LEAD OFF THE DEBATE IN THE SENATE. CONGRESS PRESIDENT GONZALO BARRIOS HAS ANNOUNCED THAT SINCE THERE IS NOT SUFFICIENT TIME FOR THE CONGRESS TO COMPLETE ACTION ON THE BILL BEFORE AUG 5, THE EXPIRATION DATE OF THE PRESENT CONGRESSIONAL SESSION, AND IT IS LIKELY THAT THE SESSION WILL BE EXTENDED FOR AN ADDITIONAL THIRTY DAYS.

5. COMMENT. ALTHOUGH THE DELAY IN THE BILL'S PROGRESS IS PARTLY DUE TO THE GOVERNING AD PARTY'S JULY 17-20 NATIONAL CONVENTION, THE GOV ITSELF HAS SLOWED THE BILL'S CONSIDERATION BY INTRODUCING MODIFICATIONS. THE PROPOSED CHANGES TO ARTICLE 6 AND 23 REPRESENT SUBSTANTIVE ALTERATIONS, DESPITE MINES COMMITTEE CHAIRMAN HERNANDEZ GRISANTI'S ASSURANCES TO THE CONTRARY. INDUSTRY SOURCES ARE NOW PREDICTING THAT ACTION ON THE NATIONALIZATION BILL WILL NOT BE

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